Output-Based Allocation for the SIP Call

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1

Why Develop Alternative Language for Allocation

- Many states and stakeholders are interested in output-based allocation.
- Two major issues are stopping discussion of output-based allocation during the SIP development process:
  - States are afraid that changing the allocation system will jeopardize swift approval of the SIP
  - States simply don't have time to draft revised language

2

Goal and Objective

- Communicate to states the EPA's position on alternative allocation language
- Provide alternative language for output-based allocation in Part 96
- Allow meaningful discussion of output-based allocation during the SIP development process.

3

EPA Position on Allocation

- EPA states in the SIP call preamble (Section VII E 1) that states have the option to change to an output-based allocation.
- EPA has reiterated this in meetings with the states.

4

Alternative Language for Part 96

- Output-based allocation language developed - mostly section 96.42.
- Background discussion and discussion of data issues attached.
- Sample output data for utility generators.
- Available at www.eea-inc.com/part96.html

5

Modifications to Part 96

- Applicability
- Definitions
- Allocation methodology
- Treatment of cogeneration
- Data sources

6

Applicability

- Under an output-based allocation, coverage can be extended to all generating sources.
- Many believe that generation-neutral allocation has significant environmental and cost advantages.
- Applicability is determined in the definition of “unit”. This version provides for generation-neutral allocation.
- States will have to determine applicability for themselves.

7

Definitions

- Change definition of “unit” depending on applicability
- Modify miscellaneous definitions to reference output rather than input.
- Include definition of cogeneration

8

Allocation Methodology

- Basic concept of output-based allocation is simple: each unit receives allowances proportional to its share of output - electric or thermal.
- Specific approach is to allocate based on a nominal output-based rate (1.5 lb/MWh or 0.2 lb/MMBtu$_{out}$) and then normalize to total budget.
- This is the same as the EPA methdology.

9

Treatement of Cogeneration

- There is a pool of allowances for EGUs and for non-EGUs.
- Within each pool, each source gets an allocation proportional to its output.
- Cogeneration sources get their share of each.

10

Data Issues

- In the long run, the EPA will be collecting output data for all sources.
- In the short run, there are data issues for some sources whether we allocate on input or output.
- Nevertheless, there are sufficient resources to do an initial output-based allocation.
- It is better to get the structure right the first time and let the data improve.

11

EGU Data

- Much can be gotten from EIA Forms 767 and 759. We have done some already.
- States may have direct data or can require sources to submit it.
- EPA uses IPM data in the FIP. Output data are available there also.

12

Non-EGU Data

- Not much real data on input or output generally available.
- Best source is probably state requirement to submit output data.
- Alternative is to calculate output based on input and a nominal efficiency. This allocates the tons the same as input but sets up the structure for later output-based allocation.

13

Summary

- States have the option to allocate based on output.
- Output-based regulatory language is available and not that different from the original.
- It is better to set up the output-based structure now and allow the data to improve than to redo the whole system later.

14